

Message Text

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73

ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGR-10 PA-02 PRS-01 /104 W

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R 310448Z JUL 75

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 9989

AMEMBASSY CANBERRA

UNCLAS WELLINGTON 2203

E.O. 11652: N/A

TAGS: EFIN, NZ

SUBJ: NGZ INCREASES CERTAIN INTEREST RATES AND TAKES OTHER
MONETARY MEASURES

1. SUMMAY: MINFIN ANNOUNCED JULY 30 AN INCREASE IN
INTEREST RATES ON FUTURE ISSUES OF TREASURY BILLS AND
GOVERNMENT SECURITIES. OTHER MONETARY MEASURES WERE ALSO
ANNOUNCED. END SUMMARY.

2. INTEREST RATES ON CONVERSION OFFER OF GOVERNMENT
SECURITIES MATURING ON AUGUST 15 AND SEPTEMBER 15 AND A NEW
SHORTLY TO BE ANNOUNCED CASH LOAN WILL BE INCREASED AS
FOLLOWS:

3 YEARS - 4.1 PERCENT TO 5 PERCENT

6 YEARS - 5 PERCENT TO 5.75 PERCENT

8 YEARS - 6PERCENT TO 6.5 PERCENT

3. LOCAL GOVERNMENT AUTHORITIES MAXIMUM RATES WILL RISE
FROM 6.25 PERCENT TO 6.75 PERCENT.

4. TREASURY BILLS WILL INCREASE EFFECTIVE JULY 31 FROM
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2 TO 3 PERCENT FOR 3 MONTHS AND FROM 2.4 TO 3.5 PERCENT

FOR 6 MONTHS.

5. OTHER MEASURES INCLUDE:

A. THE GOVERNMENT SECURITY RATIO OF FINANCE COMPANIES WILL BE INCREASED FROM 10 TO 15 PERCENT ON OCTOBER 1.

B. DRADING BANKS RESERVE ASSETS RATIOS HAVE BEEN RAISED FOR JULY AND AUGUST AS FOLLOWS: TIME DEPOSITS 11 PERCENT; DEMAND DEPOSITS 27 PERCENT. BANKS ARE TO KEEP LENDING TIGHT WHILE GIVING PRIORITY TO THE EXPORT SECTOR.

C. THREE YEAR AND OVER DEPOSITS WITH TRADING BANKS ARE EXEMPT FROM INTEREST ON DEPOSITS REGULATIONS.

D. THE DEVELOPMENT FINANCE CORPORATION IS "INVITED" TO ISSUE SECURITIES AT MARKET RATES DIRECT TO THE PUBLIC.

6. MINFIN GAVE RASON FOR MEASURES THAT IT IS APPROPRIATE TO KEEP MONETARY CONDITIONS TIGHT TO AVOID A RESURGENCE OF IMPORTING AND OF INFLATIONARY DEMAND PRESSURES. LIQUIDITY HAS EASED CONSIDERABLY IN RECENT WEEKS. DEPOSITS WITH NZ'S FIVE TRADING BANKS HAVE INCREASED CONSIDERABLY TO \$NZ500 MILLION AT THE END OF JUNE, A GROWTH OF \$NZ49 MILLION FOR THE YEAR VS. \$NZ28 MILLION A YEAR EARLIER. A DROP IN LENDING HAS HELPED BOOST THE BANKS' LIQUIDITY. SELDEN

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